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Role of Banking Agencies and Village Crediting Institutions on Economic Growth Inclusion in Bali Province

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Abstract

As a development agency, Commercial Banks and Lembaga Perkreditan Desa (LPD) are financial intermediaries conducting activities to collect and channel funds for the smoothness of economic activity. The existence of BPR and LPD is expected to create inclusive or qualified economic growth, which is economic growth accompanied by poverty reduction, decreasing inequality of income distribution and decreasing unemployment rate. With the inclusive economic growth is expected to increase public welfare. This study aims to analyze the role of banking institutions and Lembaga Perkreditan Desa (LPD) against changes in economic structure, inclusiveness of economic growth, and community welfare in Bali Province. The data used are obtained from secondary sources in the form of panel data of regencies / cities in 2010 until 2016. The design of this study uses a tiered causality model by applying the Structural Equation Model (SEM) with the application of Partial Least Square (PLS). The result of the research shows that credit given by Commercial Banks and Lembaga Perkreditan Desa (LPD) gives the impact of changes in economic structure, namely the increase of capital formation, the increase of labor absorption, and the increasing contribution of modern sectors to economy. Changes in economic structure affect the inclusiveness of economic growth. Inclusiveness of economic growth is economic growth accompanied by poverty reduction, decreased inequality in income distribution and declining unemployment rate. Inclusiveness of economic growth also affects the welfare of the people in Bali Province.

Keywords: Banking Institutions; Village Credit Institutions; Inclusiveness of Economic Growth.

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1. Introduction

The purpose of development in an area is to increase the level of welfare of its people. Three important indicators to increase community welfare are increasing people's income, and other indicators, namely the quality of life of the community such as health and education which are getting better. To improve community welfare in an area is very dependent on the potential of each region. Different regional conditions coupled with the uneven distribution of infrastructure and the amount and quality of human resources, causes the speed of development / growth to be different in each region. If this is seen as a whole, it shows inequality. This imbalance is basically caused by differences in regional characteristics, such as differences in natural resource potential and demographic conditions. Inequality can also be caused by differences in development investment in the area which results in the availability of infrastructure, transportation, communication, banking, and other services. Inequality is proxied by the imbalance of regional income, which in turn will affect the difference in the level of community welfare. Bali as one of the provinces in Indonesia is also not free from problems of economic inequality. Inequality between South Bali and areas outside South Bali is increasingly felt. This can be seen from the average per capita income of regencies / cities in the Bali region during the years 2010-2016. To increase economic growth, reduce income inequality, and improve the welfare of the community then as an agent for the construction of banking institutions namely Commercial Banks and Banks Rural Credit (BPR) in Indonesia continues to increase lending, both to the general public and to corporations. Likewise, to improve the performance of the rural economy and improve the welfare of the village community, the Village Credit Institutions (LPD) continue to increase lending. Loans are generally given for investment, working capital and consumption. The increase in lending is expected to be able to change the economic structure in terms of supply, namely to increase capital and the ability to produce [10]. Furthermore, an increase in the ability to produce results in an increase in production, employment, and consumption of the community, which subsequently leads to changes in economic structure. Reference [37] says that the acceleration of changes in economic structure is one of the conditions for achieving advanced economic growth (modern economic growth). Changes in the structure of the economy can be seen in part from changes in the contribution of added value to economic sectors towards the formation of Gross Domestic Product (GDP), changes in labor absorption of economic sectors to total employment, changes in the formation of fixed capital to GDP, and changes in the proportion of public expenditure on food [9] The increase in credit extended by banking institutions and LPDs can lead to inclusive economic growth. Reference [15] states that inclusive growth is defined as GDP growth which is also accompanied by poverty reduction, unemployment, and decreasing income inequality distribution. Economic growth can also be caused by changes in economic structure in terms of demand, increased demand for goods and then increases the rate of output growth of economic sectors [32]. An inclusive economic growth is expected to improve the welfare of the people in an area**.** References [28,33,21], among others, states that community welfare conditions occur when human life is safe and happy because basic needs for health, education, housing and income can be met, and there is protection from risks play threats to their lives. The welfare measure as well as a comprehensive measure of development success was introduced by the United Nations Development Program (UNDP) starting in 1990 called the Human Development Index (HDI) [34] .HDI is constructed using indicators of life expectancy, education, and income. Based on the description above, the purpose of this study is to find out how the role of banking institutions and Village Credit Institutions (LPD)

towards inclusive economic growth in the Province of Bali.

2. Research Methods

2.1. Data and sources

This study uses secondary data, namely regarding credit from banking institutions (Commercial Banks and Credit Institutions), as well as from the Village Credit Institutions (LPD) obtained from the Office of Bank Indonesia Denpasar and the Rural Credit Institution Development Agency (LPLPD) of the Province of Bali. Data on Gross Regional Domestic Product (GRDP) according to business and use, labor absorption data, poverty rate, gini ratio, and Human Development Index (HDI) were obtained from the Office of the Central Statistics Agency of Bali Province. The data collected is a panel data of 9 districts / cities in the Province of Bali, with the observation year from 2008 - 2016.

2.2. Data and sources

The panel data obtained were then analyzed using the structural equation model (SEM) by applying Partial Least Square software to the model as presented in Figure 1. Based on Figure 1 using the PLS technique to specify the relationship between variables, including: 1) the outer model, and 2) the inner model. Furthermore, the SEM model with the PLS application is evaluated as follows.

1) Evaluate the measurement model or outer model

Evaluation of the measurement model or outer model is carried out according to the relationship between the indicator and its construct. In PLS it is known that there are two types of relationships between indicators and constructs, namely the reflective model and the formative model.

a) Reflective indicator

Reflective indicators in this study are for credit constructs of banking institutions and LPDs (X1), and economic structures (X2). The validity of the construction of reflective indicators through three steps: the first can be seen from the Substantive content that is by looking at the significance of the loading factor. Tolerated values of at least 0.50 are considered sufficient [12] secondly by looking at Composite Reliability (ρc) is generally used for reflective indicators measured by internal consistency (ρc) and cronbach alpha, and thirdly by Discrimanant Validity (DV) on reflective indicators, namely by looking at (i) crossloading of constructs or latent and (ii) variance extracted (AVE).

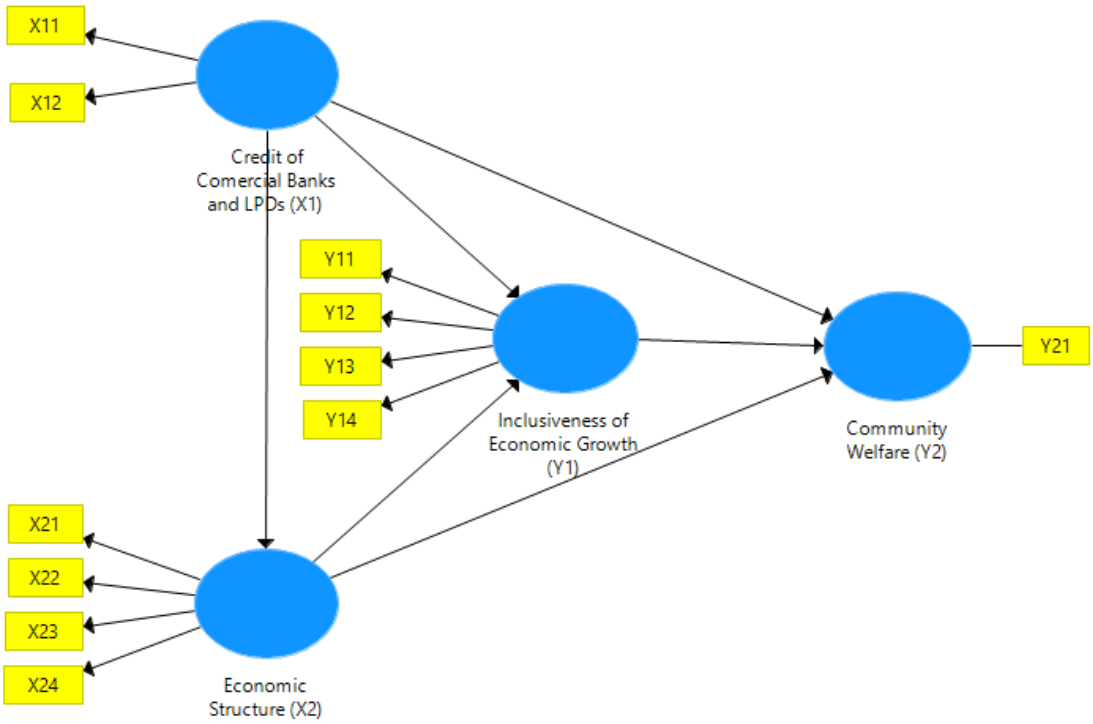

Figure 1: Full Research Model

Information:

X1 = Bank and LPD credit

X11 = Bank credit per capita

X12 = LPD credit per capita

X2 = Economic Structure

X21 = Gross Fixed Capital Formation

X22 = Expending Non-food Consumption

X23 = Non-Agricultural GRDP

X24 = Absorption of Non-Agricultural Workers

Y1 = Inclusiveness of Economic Growth

Y11 = GRDP Growth

Y12 = Population above the poverty line

Y13 = Absorption of the Work Force that works

Y14 = Gini Ratio

Y2 = Community Welfare

Y21 = Indeks Pembangunan Manusia (IPM)

b) Formative indicators

The formative indicator in this study in accordance with Figure 3.1 is the inclusiveness of economic growth. To evaluate the outer model with formative indicators, the Substantive content evaluation is first performed by looking at the significance of the weight. Formative indicators that are not significant need not be issued,

because they will reduce the meaning of the construct. Second, by looking at the Variance Inflation Factor (VIF). VIF values above 10 indicate multicollinea2) Evaluation of Inner Model

Based on Figure 1, a structural equation system is made as follows:

(1) The relationship between X1 and X2

$$X2 = \beta 1X1 + \varepsilon 1 \quad (1)$$

(2) The relationship between X1 and X2, towards Y1

$$Y1 = \beta 2\ X1 + \beta 3\ X2 + \varepsilon 2 \quad (2)$$

(1) The relationship between X1, X2, dan Y1toward Y2

$$Y3 = \beta 4\ X1 + \beta 5\ X2 + \beta 6Y1 + \varepsilon 3 \quad (3)$$

Information:

X1 is Bank and LPD credit

X2 is Economic Structure

Y1 is Inclusiveness of Economic Growth

Y2 is community welfare

$\beta 1, \beta 2, \ldots\ldots\ldots \beta 6$ is path coefficient

$\varepsilon 1, \varepsilon 2 \ldots. \varepsilon 3$ is error

In PLS the inner model is also called the inner relation which describes the relationship between latent variables based on the substance of the theory. There are three types of evaluation that are important to do on the inner model will be discussed next.

a) Goodness of fit.

This evaluation to note is the value of R2 for the dependent latent variable. R2 values around 0.67 are said to be strong or good, 0.33 is said to be moderate, while 0.19 is said to be weak. Changes in R2 can be used to assess the effect of certain latent variables on whether independent latent variables have substantive effects. In addition to R2, the PLS model can also be evaluated for its predictive ability through the Stone-Geiser Q Square test (Ghozali, 2011), with the formula:

$$Q^2 = 1 - \{(1 - R_1^2)(1 - R_2^2)\} \quad \text{.....(4)}$$

The large Q2 value gives a meaning that the model created has high predictive prevalence, whereas the small Q2 value gives the meaning that the model made lacks predictive prevelance..

b) Direct Influence

An evaluation of the inner model is done by looking at the magnitude of the structural path coefficient, and also the value of the statistical t test and its significance obtained by the bootstrapping method with the output path coefficient. This path coefficient is the direct influence of a variable on other variables.

c) Indirect Effects or Role Tests for Mediation Variables

To find out the role of mediating variables on the influence of independent variables on the dependent variable. In PLS will automatically issue the results through the output of indirect effects (indirect effect). The output provides information on whether an intermediate variable significantly mediates the effect of an exogenous variable on an endogenous variable.rity in the model.

3. Results and Discussion

3.1. Description of research variables

The research variables are briefly presented in Table 1. Based on Table 1, it can be explained that during 2008-2016 the credit of banking institutions always increased, namely with an average increase of 45.66 percent per year, while loans disbursed through LPD increased faster, namely by 53.71 percent. The measured variable used as an economic structure is the formation of gross domestic fixed capital (PMTDB).

Table 1: Characteristics of Research Variables

Variabel	Satuan	2008	2009	2010	2011	2012	2013	2014	2015	2016
Banking Credit	Rp T	20.45	24.15	28.52	39.10	51.83	60.40	78.36	87.47	95.14
LPD Credit	Rp T	2.10	3.12	3.92	4.79	6.00	7.82	9.56	11.04	11.12
PMTDB	Persen	23.42	24.93	28.48	33.37	35.89	33.43	31.11	31.23	32.39
Non-food consumption	Persen	56.13	52.74	53.15	58.15	59.86	57.53	58.21	59.66	57.62
Non-Agriculture GRDP	Persen	80.96	81.21	82.83	83.77	84.30	84.78	85.35	85.35	85.33
Non Agriculture Worker	Persen	69.30	70.53	71.55	73.01	73.26	74.60	75.88	76.23	77.01
Economic growth	Persen	5.97	5.33	5.83	6.66	6.96	6.69	6.73	6.04	6.24
Poverty level	Persen	5.85	4.88	5.67	4.59	3.95	4.49	4.76	4.74	4.25
Unemployment Rate	Persen	3.30	3.13	3.06	2.95	2.10	1.83	1.90	1.99	1.89
Gini Ratio	Indeks	0.31	0.31	0.37	0.41	0.43	0.40	0.42	0.38	0.37
IPM	Indeks	70.98	71.52	70.1	70.87	71.62	72.09	72.48	73.27	73.65

Table 1 also shows that the percentage of PMTDB in the Province of Bali from 2008 to 2016 is rather volatile, but has an upward trend, from 23.42 percent in 2008 to 32.39 in 2016. Other indicators of changes in economic structure are expenditure household consumption for food and non-food. The more modern an economy, the household expenditure for non-food is increasing, especially for accommodation, clothing, education, health, various goods and services such as electricity, pulses for communication, newspapers - magazines, purchasing private transportation, sightseeing, salaries of helpers and drivers, levies , taxes, insurance and ceremonial or festive expenses. During 2008 to 2016, the average household expenditure for non-food fluctuated each year, but had an increasing trend, namely in 2008 of 56.13 percent, and increased in 2018 to 57.62 percent. The economic structure in terms of production in the Province of Bali during 2008 - 2016 has experienced a shift. In terms of production, the economic structure is seen from the contribution of economic sectors in three major sectors, such as agriculture in a broad sense, the manufacturing sector, and the service sector to the GRDP. On average in the Province of Bali there has been an increase in the contribution of the non-agricultural sector from 80.96 percent in 2008 to 85.33 percent in 2016. In terms of employment, the proportion of labor absorption in the non-agricultural sector has increased from 69.30 percent in 2008 to 77.01 percent in 2016. The rapid change in economic structure in the Province of Bali was largely due to the development of the tourism industry. Economic growth in the Province of Bali during 2008-2016 has been fluctuating, but has an upward trend, from 5.97 percent in 2008 to 6.24 percent in 2016, as presented in Table 1. The increase in economic growth is also accompanied by a decrease in the level poverty and a decrease in the unemployment rate. During 2008 - 2016 the poverty rate has decreased from 5.85 percent in 2008 to 4.25 percent in 2016, and the rate of decline has decreased from 3.30 percent in 2008 to 1.89 percent in 2016. Improved economic performance in the Province of Bali which is seen from an increase in economic growth, a decrease in poverty and unemployment is not followed by a decrease in income inequality, which in this case uses the Gini ratio. During 2008 to 2016, the gini ratio in the Province of Bali increased from 0.31 in 2008 to 0.37 in 2016. The level of community welfare in the Province of Bali during 2008 - 2016 has also increased. The people's welfare in this study uses the Human Development Index (HDI) indicator. Table 1 shows that the HDI in Bali Province from 2008 to 2016 has an upward trend. In 2010 Bali's HDI experienced a downturn, and its ranking declined from 14th at the national level to 15th. But then it continued to increase, and in 2014 it ranked 5th after the calculation of the HDI was refined by the government. Bali Province HDI in 2008 with an index of 70.98 and in 2006 increased to 73.65.

3.2. Structural equation model

As explained in the research method, to analyze the research objectives, in this case the Structural Equation Model is used. Based on the results of data processing the structural equation model is obtained as presented in Figure 2.

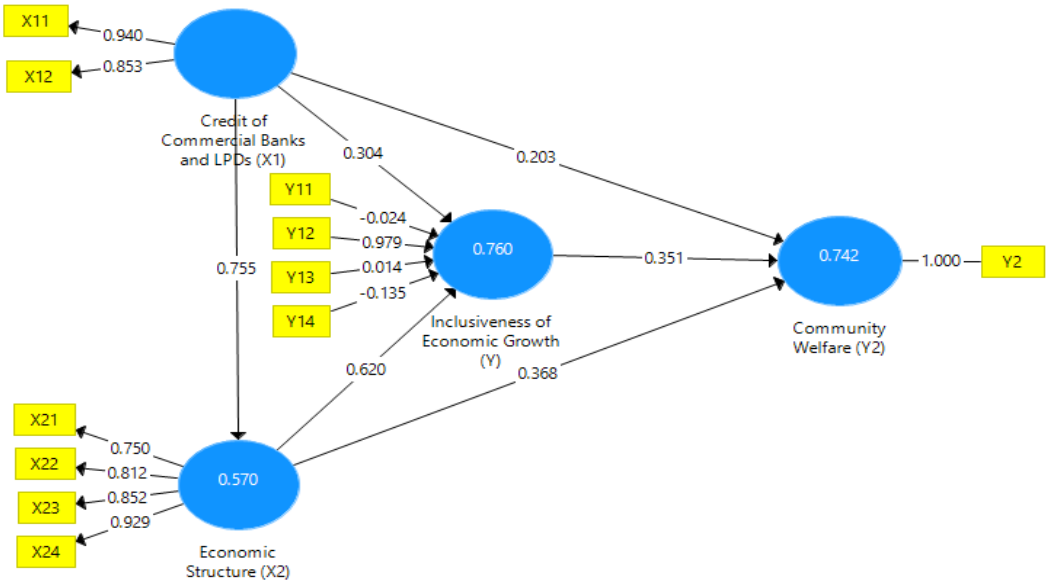

Figure 2: Path Coefficient Between Research Variables

Based on Figure 2, the outer model model validity will be analyzed, and the inner model is as follows.

1) Measurement Model Evaluation (Outer Model)

To find out the validity of the indicators used to form constructs or latent variables, the following analysis is performed.

a) For reflective indicators

Reflective indicators in this study are for the credit constructs of banking institutions and LPDs (X1), and economic structures (X2). The validity of the construction of the first reflective indicator can be seen from the substantive content by looking at the significance of the loading factor. The results of PLS data processing can be seen in Table 2.

Table 2: Value of Loading Factor Indicators on Bank and LPD Credit Constructions and Economic Structure

Hubungan Variabel	Original Sample	Std Deviation	t .Statistics	P. Value
X11 ← X1	0,940	0,010	91,952	0,000
X12 ← X1	0,853	0,062	13,781	0,000
X21 ← X2	0,750	0,057	13,148	0,000
X22 ← X2	0,812	0,037	22,202	0,000
X23 ← X2	0,852	0,025	34,218	0,000
X24 ← X2	0,929	0,017	55,238	0,000

Based on Table 2 it can be seen that all valid reflective indicators form their respective constructs, namely the credit constructs of banking institutions and economic structures, with significance or p. Value of 0,000, and

also all indicators have a loading factor value greater than 0.50. The validity of a construct can also be seen from discriminant validity. Discriminant good validity, the indicator has a crossloading on the construct is greater than the other constructs. Construct validity can also be seen from Cronbach Alpha, composite reliability (ρc), and leverage variance extracted (AVE), which are generally used for reflective indicators that aim to measure the internal consistency of a construct. The results of data processing are presented in Table 3.

Table 3: Cronbach Alpha, Composite Reliability (ρc), and Average Variance Extracted (AVE) Research Constructions

Konstruk	Cronbach's Alpha	Composite Reliability	Average Variance Extrated (AVE)
Banking and LPD Credit (X1)	0,768	0,892	0,806
Economic Structure (X2)	0,858	0,904	0,703

Based on Table 3 it can be seen that all credit constructs of banking institutions and LPDs (X1), and economic structures (X2) are valid, that is, with discrimanant validity (DV) through Cronbach Alpha greater than 0.60, composite reliability (ρc) greater than 0.70, and Average Variance Extracted (AVE) is greater than 0.50.

b) Formative Indicators

To see the validation of formative indicators, the first can be seen from the substantive content by looking at the significance of the weight and also the Variance Inflation Factor (VIF). Based on substantive content, formative indicators that are not significant need not be issued, because they will reduce the meaning of the construct. Variance Inflation Factor (VIF) aims to detect whether indicators are colluding with each other. A good indicator is not correlated among other indicators, or with a VIF of less than 10. In this study there is only one construct with the category of formative indicators, namely economic growth (Y2). The results of the processed data with PLS validity of the economic growth inclusiveness construct are presented in Table 4.

Table 4: Outer Loading and VIF Indicators on Infrastructure Performance Construction And Economic Performance

Variable Relationship	Original Sampel (O)	VIF Value	Standard Deviation (STDEV)	T Statistiks (|O/STDEV|)	P Value
Y11 → Y1	-0,024	1,342	0,097	0,247	0,805
Y12 → Y1	0,979	2.326	0,064	15,200	0,000
Y13 → Y1	0,014	2.674	0,068	0,204	0,839
Y14 → Y1	-0,135	1,789	0,066	2,058	0,040

Based on Table 4 it can be seen that the percentage of population indicators above the poverty line (Y12) and Gini ratio (income inequality = Y14) contribute significantly to the construct of economic growth inclusiveness

(Y1) formed with P. Value less than 0.05. Indicators of economic growth and employment, do not contribute to the construct formed with P. Value of more than 0.05. Based on Table 5 it can also be seen that all indicators are appropriate to be used to predict, because there is no multicollinearity of the indicators, namely Variance Inflation Factor (VIF) of less than 10.

3) Evaluation of the Inner Model

Evaluation of the inner model can first be seen from the R2 value of the endogenous construct. In this study there are four variables and endogenous constructs, namely Capital Expenditure (X2), Infrastructure Performance (X3), Economic Performance (Y1), and Community Welfare (Y2). R2 values for endogenous constructs are presented in Table 5.

Table 5: Value of R2 Endogenous Construction Variables

Variables / Constructions	R^2	Relationship Information
Economic Structure (X2)	0.627	Moderate
Inclusiveness of Economic Growth (Y1)	0.760	Strong
Community Welfare (Y2)	0.742	Strong

The R^2 value of the Economic Structure construct (X2) is equal to 0.627. Therefore the figure is greater than 0.197, but less than 0.667 means that the influence of Banking Credit and LPD (X1) on Economic Structure (X2) is moderate. Then the influence of Banking Credit and LPD (X1), Economic Structure (X2) on the Inclusiveness of Economic Growth (Y1) produces R2 value of 0.760 is strong, so is the effect of Banking Credit and LPD (X1) Economic Structure (X2) Inclusiveness of Economic Growth (Y1) on Public Welfare (Y2) is strong, because it has an R Square of 0.742 which is greater than 0.667 according to Chin's opinion (in Ghozali, 2011).

Based on the R Square value, a Q2 or Stone-Geiser Q Square test can be made: $Q^2 = 1 - \{(1 - R_1^2)(1 - R_2^2)(1 - R_3^2)(1 - R_4^2)\}$

Q^2 = 1 - {(1-0,627)(1-0,760)(1-0,742)}

Q^2 = 0,977

Q^2 value of 0.977 is classified as very large, and can be said to have a high predictive prevalence, so the resulting model is feasible to use to predict. Q2 figure of 0.977 means that 977 percent of variations of Banking Loans and LPD (X1) Economic Structure (X2) Inclusiveness of Economic Growth (Y1) affects Community Welfare (Y2), while the remaining 2.3 percent is influenced by other variables that are not included in the model.

4) Direct Influence Test

Based on the results of the processed data can be made a direct relationship between research variables as presented in Table 6.

Table 6: Direct Effect of Independent Variables on Bound Variables

Variable relationship			Original Sampel (O)	Standard Deviation (STDEV)	T Statistiks (|O/STDEV|)	P Value
X1	→	X2	0,792	0,034	23.273	0,030
X1	→	Y1	0,329	0,090	3.679	0,000
X1	→	Y2	0,314	0,072	4,336	0,000
X2	→	Y1	0,588	0,088	6.670	0,000
X2	→	Y2	0,304	0,123	2.467	0,017
Y1	→	Y2	0,317	0,106	2.975	0,003

Based on Table 6 it can be seen that all relationships between variables have a significant and very high significance, which is less than 0.01 and 0.05. This means that all hypotheses of direct influence can be supported by data. Based on Figure 2 it can be explained that the variable that has more influence on the Inclusiveness of Economic Growth (Y1) is the Economic Structure (X2) of 0.558, then followed by the variable Banking Credit and LPD (X1) of 0.329. The most influential variable on Community Welfare was Economic Growth Inclusivity (Y1) of 0.317, then followed by Banking Loans and LPD (X1) of 0.329 by 0.314, and finally the Economic Structure (X2) of 0.304.

5) Indirect Effects or Mediation

Based on the results of indirect effects the effect of independent variables on the dependent variable, through mediating variables or intermediate variables, in this study is the Service Performance variable, which is presented in Table 7.

Table 7: Indirect Effects or Mediation

Hubungan Variabel			Original Sampel	Variabel Mediasi	Standard Deviation	T Statistiks	P Value
X1	→	Y1	0,468	X2	0,079	5,907	0,000
X1	→	Y2	0,549	X2, Y1	0,063	8,661	0,000
X2	→	Y2	0,218	Y1	0,078	2,787	0,006

Based on Table 7. it can be explained that the variable Economic Structure (X2) significantly mediates the effect between Bank Credit and LPD on the Inclusiveness of Economic Growth. This can be seen from the P. Value of 0,000 which is smaller than the significance level of 0.05 which is commonly used in socio-economic research. Likewise, other relationships were successfully mediated by their respective mediating variables, namely the influence of Bank Credits and LPDs on Public Welfare mediated by Economic Structure and Economic Growth Inclusiveness, and Economic Structures on Public Welfare through Inclusiveness of Economic Growth.

3.3. Discussion of research result

1) Bank Credit and Village Credit Institutions (LPD) have a positive effect on the Economic Structure

The statistical test of this research concludes that credit extended to regencies / cities in Bali Province during 2008-2016 has a positive and significant effect on economic structure. This means that with the increase in loans channeled through commercial banks and rural banks, and LPDs, the economic structure has increased in the study area, namely increased capital formation, increased non-food consumption, increased production of the modern sector, namely industry and services, and increased employment non-agricultural sector. The influence of credit from banking institutions and LPDs on the economic structure of regencies / cities in Bali Province in accordance with what was stated by [10] said that from the supply side, efforts to increase lending were aimed at changing economic structures or breaking down the stagnant situation faced by the population of the country. developing countries when they begin to carry out development. The main effort made is to increase the ability to produce in order to create economic growth, which is more available goods and services of adequate quality and increase employment opportunities. The results of this study are in line with the opinion of [16] which states, that the purpose and function of credit, among others, is to help business customers who need funds, both investment funds and funds for working capital, so that the debtor will be able to develop and expand its business. This finding is also consistent with research conducted by [22] in Nigeria in a journal entitled: The Impact Of Financial Intermediation On Economic Growth: The Nigerian Perspective concluded that institutional development in the financial world has increased production factors, which is very support economic reform programs. It was also mentioned that the role of banks is very large in the context of providing funds for a project (investment).

2) Bank Credit and Village Credit Institutions (LPD) have a positive effect on economic growth inclusiveness

The results also showed that the loans extended in the study area also had a positive and significant effect on the inclusiveness of economic growth in districts / cities in the Province of Bali through commercial banks and rural banks, and LPDs. The inclusiveness of economic growth in this study is economic growth accompanied by a reduction in unemployment and poverty, and a more even distribution of income. The results of the study are in accordance with the objectives of expansive monetary policy that increasing the volume of credit provided to the public can encourage and stimulate the economy such as increasing employment or unemployment, reducing poverty, and leveling the distribution of people's income. The results of this study are supported by [23] in his study entitled Growth And Income Distribution In A Credit-Money Economy: Introducing The Banking Sector Into The Linear Production Model. Writing which is the result of the study states that credit and money can play an important role in the demand or supply side by having a permanent impact on economic growth and income distribution. The increase in credit extended by banking institutions will lead to economic growth. [24] study in central and southeastern Europe concluded that bank credit can promote economic growth. On the contrary, according to Baily and Douglas, it is difficult to obtain credit, which will trigger economic activity. However, experience in some countries, economic growth often lacks quality or is not inclusive. According to [8] inclusive growth is growth that is conducive to increasing the size of the ability of the middle class economy. The World Bank report states that inclusive growth is equal to "pro poor" growth, which is growth where the

income of the poor is faster than the population as a whole. Research Anwar and his colleagues (2016) states that financial inclusiveness in Indonesia has succeeded in reducing poverty levels. The results of this study are consistent with the results of research conducted by [25] in his article entitled: Equity Market Liberalization, Credit Constraints and Income Inequality, which observes the equitable distribution of financial market liberalization in 72 countries in the world in the period 1980-2006 found that financial market liberalization could lead to reduced income disparities.

3) Bank Credit and Village Credit Institutions (LPD) have a positive effect on Community Welfare

This study provides the results that loans extended through commercial banks and BPRs, as well as LPDs in the study area also have a positive and significant effect on community welfare in districts / cities in Bali Province. The results of the study are in accordance with the objectives of expansive monetary policy, namely the increase in the volume of credit given to the public will increase aggregate expenditure [30]. An increase in expenditure will encourage and stimulate the economy such as increasing employment or unemployment and also directly increasing the welfare of the community, because loans are given not only for investment and working capital but also for consumption. People borrow loans in addition to investment and working capital, they use it to build houses, buy household furniture, to educate, health, to improve their welfare. The positive effect of credit channeled on community welfare is in accordance with the results of [18] study entitled Effect of Credit on Household Welfare: The Case Of "Village Bank" Models In Bomet District, Kenya which concluded that respondents who borrow more credit, spending also more to improve their welfare.

4) Economic structure has a positive effect on the inclusiveness of economic growth

The positive influence of economic structure on districts / municipalities in the Baliter Province towards the inclusiveness of economic growth can be explained by increasing capital formation, increasing the contribution of the modern or non-agricultural sector both in terms of GRDP formation or employment absorption has an impact on economic growth inclusiveness. The Asia Social Economic Survey report (2015) which states that inclusive growth is termed as an extension of social development goals which requires: (a) increasing the living standards of the population, (b) decreasing inequality, (c) reducing poverty, and (d) expanding business opportunity. This research is in accordance with the research report of [19] entitled Globalization, Structural Change and Productivity Growth that changes in economic structure result in increased labor productivity. Increased productivity will lead to economic growth.

5) Economic structure has a positive effect on people's welfare

The results of this study provide empirical evidence that changes in economic structure affect people's welfare. This means that the changing economic structure in the Province of Bali from agriculture to non-agriculture (industry and services) has resulted in an increase in community welfare. The results of this study support the results of previous empirical research, namely: First, the results of [17] found a positive relationship between decreasing the percentage of the contribution of the agricultural sector to the GRDP with the level of income per capita. Secondly, the results of [27] research concluded that there was a relationship between employment in the

agricultural sector and the level of community welfare. This study concludes that the higher the ratio of non-agricultural labor absorption tends to lead to higher levels of community welfare. Third, [31] in his research with canonical correlation analysis entitled "The Relationship of Economic Structures with People's Welfare in Indonesia" concluded that the more modern (industrial) economic structure of a Province, the higher the level of welfare tends to be higher.

6) Inclusiveness of Economic Growth has a positive effect on Community Welfare

Inclusive economic growth, i.e. increasing economic growth accompanied by an increase in employment, decreasing the unemployment rate, and the increasingly even distribution of people's income causes people's welfare, as indicated by the increase in the Human Development Index (HDI) in districts / cities in Bali Province. This study supports [1] which concluded that the better a person's economic condition, the better the person's level of prevention of morbidity. This finding is consistent with the opinion of [14] that income growth generally brings an increase in people's welfare. This study is also in accordance with the World Bank Report 2000/2001 in several countries in Africa, entitled Attacking Poverty which concludes that the health and education of low-income households compared to high-income households). Some health indicators used in the study are infant mortality, malnutrition, frequency of illness, while for education an indicator of the number of school-age children enrolled in primary school is used. Thus it was concluded that the higher the family income, the higher access to education and health [35].

7) The Effect of Banking Institutions and Village Credit Institutions, and Economic Structure, on Community Welfare through Inclusiveness of Economic Growth in Regencies / Cities in Bali Province.

This study found the influence of credit from banking institutions and Village Credit Institutions, as well as economic structure, on the welfare of the community through inclusiveness of economic growth in districts / cities in Bali Province. Loans provided by banking institutions are not only used for working capital and investment, but also for consumption. Refernces [26] said that an increase in investment through an increase in capital goods can have a positive impact on the total economy, because an increase in the stock of capital goods nationally will increase economic activity and can also expand employment opportunities. Increasing public consumption also encourages increased production of goods and services, and chain through a multiplier effect will increase economic growth, employment opportunities [30]. Reference [35] also mentions that increasing household income has a positive influence on people's welfare, because household income that is classified as high tends to have access to better health and education.

4. Conclusion and Recommendation

4.1. Conclusions

Commercial Bank Credit and Rural Credit Banks (BPR) and Village Credit Institutions (LPD) have a positive effect on economic structure, economic growth inclusiveness, and community welfare in districts / cities in Bali Province. This means that with the increase in loans channeled through commercial banks and rural banks, and LPDs, the economic structure has increased in the study area, namely increased capital formation, increased

non-food consumption, increased production of the modern sector, namely industry and services, and increased employment non-agricultural sector. Credit channeled through banking institutions and LPDs in the study area has a positive and significant effect on the inclusiveness of economic growth in regencies / cities in Bali Province. The inclusiveness of economic growth in this study is economic growth accompanied by a reduction in unemployment and poverty, and income distribution more evenly distributed. Credit that is channeled through banking institutions and LPDs in the study area has a positive and significant effect on community welfare in districts / cities in Bali Province. Public welfare can be seen from the Human Development Index (HDI) which is proxied based on per capita expenditure, degree of welfare, and education level. The economic structure of the regencies / cities in the Province of Bali has a positive effect on the inclusiveness of economic growth and the welfare of the community. The shift in economic structure from traditional (agriculture) to modern (industrial and only) has a positive impact on the inclusiveness of economic growth and increasing community welfare. Changes in economic structure affect people's welfare. This means that the more modern economic structure in the regencies / cities in the Province of Bali has resulted in an increase in community welfare. The credit of banking institutions and Village Credit Institutions, as well as the economic structure, influences the welfare of the community through the inclusiveness of economic growth in districts / cities in the Province of Bali. The increase in credit will lead to increased investment, working capital and consumption in the community, then this will increase employment opportunities, economic growth, decrease poverty, and smooth the distribution of community income.

4.2. Reccomendation

With the positive influence of credit from banking institutions and LPDs on the economic structure, inclusiveness of economic growth, and public welfare, it is recommended that the government always oversees banking institutions and LPDagar so that their survival is maintained, so that credit to the public is always increasing.

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